September 3, 2013 LUEAAC Agenda Item Comments

Comments on the Newport Beach Land Use Element Amendment Advisory Committee agenda from:
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2) Approval of Minutes (August 20, 2013 Meeting)

The following corrections are suggested. A number of unusual phrasings and capitalizations are not noted here.

1. Page 1:
   a. Under "*II. Approval of Minutes*," an additional sentence is needed to record the vote, saying something like: "***Motion carried by acclamation***."
   b. Under "*III. Traffic Findings of Potential Land Use Change Areas*," fourth bullet point: "*Harbor* ~~***Vies***~~ ***View*** *Center*."
2. Page 2:
   a. Under "*a. Lido Marina Village*," paragraph 3: "*Gardner asked, since this area is already overbuilt, do we change* ~~***are***~~ ***our*** *approach*?"
   b. Paragraph 6: "*Selich encouraged the Committee to look* ***at*** *the guidelines and other relevant documents* …"
   c. Under "*b. Mariner's Mile*," paragraph 3: "*A discussion on permitted heights in this area resulted in Gardner* ~~***requested***~~ ***requesting*** *a visual showing what it would look like*."
3. Page 3:
   a. The text placed under "*VI. Public Comment on Non-Agendized Items*" seems primarily comment on "*IV. Other Area Updates*" that was invited by the Chair at the end of item IV, and which was heard before "*V. Next Steps*." The audio minutes reveal there was no comment on non-agenda items.
   b. In the last paragraph of this misplaced text, I suspect the last name of Douglas "*Lasard*" (of Belmont Village Senior Living) may be misspelled. Is it "*Lessard*"?

3) Economic Analysis for Airport Area

I continue to be mystified that the Committee is not asking for the *Fiscal* Impact Analysis required by Implementation Program 12 of the 2006 General Plan: that is, would the net effect of the suggested developments be beneficial to the residents of Newport Beach as a whole?

a. Airport Area (Attachment 2)

1. Since the analysis is no better than the accuracy of the data on which it is based, it would have seemed helpful to indicate the source of the numbers quoted and their relevance to the airport area.

2. In the "*Background*" section on page 1, for comparison with the analyses on page 2 it would have seemed helpful to mention the acreage of the Uptown Newport site, which I believe is 25 acres. From the figures given in the present report, that suggests the existing industrial development is at 0.41 FAR and the planned residential development is at 50 units per acre..

3. On page 2, the claim in the last paragraph of the first section that retail uses cannot be successfully intensified by adding additional stories seems questionable to me. I thought the classic department store was a multistory affair, as is the recently approved Mariner's Pointe retail development in Newport Beach.

4. Even assuming the information provided is accurate for the airport area, I find little value in the analysis provided. As best I understand the discussion, it tells me that if for $3,539,000 I could acquire one acre of airport land *and* build a 10,890 square foot (0.25 FAR) one story office building on it, I could expect to be able to rent it out for an annual return of 8%. If I were able to acquire the same acre and build 25 condos on it for $4.5 million, in selling them I could expect a one-time return on my investment of 15%. I fail to see how his tells me if it is actually feasible to create either of those developments for the price quoted, or, assuming it was, which would be the more attractive investment.

b. Mariners' Mile (Attachment 3)

1. I have the impression that the "*Amount Financed*" is treated as if the money could be borrowed for free, that is, that there are no costs associated with borrowing it.

2. The last paragraph on page 2 (handwritten page 15) says "*With an IRR target of 15 percent, the pro forma analysis calculates the remaining variable, the residual land value*," however the calculation seems to be based on numbers not listed elsewhere on the pro forma. From the information provided, I am unable to deduce how the "*Residual Land Value @ 15% IRR*" is estimated.

3. The analysis of Site 1 begins, at the start of the second full paragraph on page 6 with a statement that "*the total development costs for this scenario to be $51,740,000*," yet the pro forma starts by listing that cost as "*$54,170,000*." Without seeing a breakdown of the many unstated costs that go into this, it is hard to know which number was intended.

4. I would think the Site 1 scenario is unfeasible because the estimated value of the project at completion (after 5 years) is substantially less than the total development cost (whichever of the above numbers is correct). The report says it is unfeasible because the fair market cost to acquire the property (which I assume is factored into the total development cost) is $12 million per acre and that is more than the "residual land value" of $7.2 million per acre. However, the remaining two sites are evaluated without stating what the fair market cost to acquire those properties is. If that number is essential to evaluating the Site 1 pro forma analysis, I find it difficult to understand why it is not needed to evaluate the other two pro formas.